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RUEHAS/AMEMBASSY ALGIERS 3818
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RUEHNK/AMEMBASSY NOUAKCHOTT 3043
RUEHFR/AMEMBASSY PARIS 4068
RUEHRO/AMEMBASSY ROME 1436
RUEHMD/AMEMBASSY MADRID 5396
RUEHLO/AMEMBASSY LONDON 2830
RUEATRS/DEPTTREAS WASHDC
RUCPDOG/USDOC WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEHRC/USDA FAS WASHDC 0865
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SUBJECT: MOROCCO ECONOMIC HIGHLIGHTS

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Exchange Rate on the Move?

11. (U) Central bank governor Abdellatif Jouahri said March 14 that Morocco plans to move "in the medium-term" towards a more flexible exchange rate system. Jouahri said the country's increasing openness to trade warrants a transition to an as-yet-unspecified exchange regime, a move the IMF has consistently recommended. The Dirham is currently loosely pegged to a basket of currencies strongly weighted toward the Euro. Jouahri said to do this the country will work to strengthen its monetary policy and its banking system. He also said the kingdom will be ready in 2007 to meet banking transparency requirements under the Basel II agreement concluded in 2004.

FTA Attracting Investment

12. (SBU) Econ contacts in the Prime Minister's office have confirmed that Italian textile manufacturer Legler will soon

announce an investment of more than \$65 million to establish manufacturing operations in Morocco. The move will create 800 jobs and is part of Legler's strategy to access the American market using the newly-implemented U.S.-Morocco Free Trade Agreement. Industry contacts say they have heard rumors of forthcoming investment in Morocco (and in some cases reinvestment) by several prominent retailers including Gap, JC Penny, Levis and Nike. These investments would be, in many cases, directly related to FTA implementation.

Yes, We Have No Gas

13. (U) Gas stations were closed nationwide on March 13 as the Federation of Fuel Traders (FNCCM) staged a one-day strike to protest a new increase in fuel prices and new taxes on oil products. The latest price hike was the third since July 2005. The FNCCM also protested a seven percent rise in VAT on fuel sold by service-stations, a measure aimed at reducing a \$1.5 billion deficit in state subsidies.

Funding Entrepreneurs

14. (U) The International Finance Corporation (IFC) and the Foundation for Local Development and Partnership (Fondep), a Moroccan microfinance institution, signed an agreement to provide Fondep with credit to expand its microfinance lending activities. Created in 1996, Fondep offers loans and counsel to entrepreneurs normally excluded from traditional bank lending, such as rural women and young people. IFC's partial credit guarantees will allow Fondep to obtain financing of up to \$6 million at favorable rates. The agreement marks IFC's first structured finance transaction in Morocco.

Mortgages for All

15. (U) In an encouraging sign for a moribund banking sector, Attijariwafa bank, the largest bank in Morocco and the eighth largest in Africa, is expanding its position in the home mortgage market. Although traditionally, Moroccan banks have shied away from mortgage lending and small business loans in favor of large collateralized loans to known customers, Attijariwafa will introduce three new products targeting professionals, students and low income earners. The new products have been publicized through an aggressive (albeit humorous) advertising campaign. The Moroccan mortgage market has grown considerably over the past five years, with 2005 mortgages reaching almost \$7 million, up from less than \$4 million in 2000.

World Bank Supports INDH

16. (U) The World Bank announced March 14 that it will provide substantial funding in support of the GOM's Human Development Initiative (INDH), the King's signature economic and social development program. The announcement was made after a meeting between World Bank president Paul Wolfowitz and Prime Minister Driss Jettou. During the same visit, Jettou also met with IMF deputy managing director Takatoshi Kato and with Millennium Challenge Corporation (MCC) CEO John Danilovich. The GOM is also seeking substantial funding for the INDH from MCC and other members of the donor community.

Not Just Casablanca

17. (U) American actor/director Irwin Winkler has begun shooting his latest film "Home of the Braves" in the southern Moroccan city of Ouarzazate. The film, which features American rapper 50 Cent and Samuel L. Jackson, will also be shot in Spokane, Washington.
Riley

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